

Message Text

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ACTION EUR-12

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SUBJECT: FIVE-MONTH INDUSTRIAL PERFORMANCE UNEVEN

REFS: (A) MOSCOW 6803, (B) MOSCOW 5623

SUMMARY: INDUSTRIAL PRODUCTION FOR THE FIRST FIVE MONTHS OF
1977 INCREASED 5.7 PERCENT OVER THE SAME PERIOD IN 1976.
THIS RATE MATCHES THE FOUR MONTH PERFORMANCE AND SLIGHTLY
EXCEEDS THE 1977 TARGET OF 5.6 PERCENT. LABOR PRODUCTIVITY

ALSO INCREASED AT THE FOUR MONTH RATE, 4.2 PERCENT, BUT REMAINS
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BELOW PLAN. GROWTH LEADERS INCLUDED GAS, MACHINE BUILDING,
CHEMICALS AND PETROCHEMICALS, AND CONSUMER DURABLE GOODS.
OIL PRODUCTION REPORTEDLY INCREASED 5 PERCENT (ROUNDED TO EVEN
NUMBERS) AND WAS MORE THAN 500,000 TONS ABOVE PLAN TARGET.
PROBLEMS IN CONSTRUCTION MATERIALS, FERROUS METALLURGY, AND CERTAIN
SECTORS OF MACHINE BUILDING AND CHEMICALS REMAIN.
END SUMMARY.

1. FIVE MONTH INDUSTRIAL PRODUCTION STATISTICS FOR 1977, AS PUBLISHED IN THE CENTRAL PRESS ON JUNE 14-15, SHOW THAT INDUSTRIAL OUTPUT ROSE BY 5.7 PERCENT OVER THE SAME PERIOD IN 1976. THIS MATCHES THE FOUR-MONTH RESULT AND SLIGHTLY EXCEEDS THE ANNUAL TARGET (5.6 PERCENT). LABOR PRODUCTIVITY IN INDUSTRY REMAINED AT 4.2 PERCENT, BELOW THE 1977 TARGET OF 4.8 PERCENT. INDUSTRIES CITED FOR GOOD PERFORMANCE WERE: GAS (8 PERCENT INCREASE); PETROCHEMICALS AND REFINING (7 PERCENT INCREASE); CONSUMER DURABLE GOODS (8 PERCENT INCREASE); AND VARIOUS TYPES OF MACHINE BUILDING AND CHEMICALS. ANNUAL TARGET FOR GAS IS 6.5 PERCENT INCREASE AND 6 PERCENT FOR CONSUMER DURABLE GOODS.

2. THE OIL INDUSTRY WAS REPORTED TO HAVE INCREASED OUTPUT BY 5 PERCENT AND TO HAVE PRODUCED "MORE THAN" 500,000 TONS OF OIL AND GAS CONDENSATE ABOVE PLAN TARGET. THREE BILLION CUBIC METERS OF NATURAL GAS AND 8 MILLION TONS OF COAL IN EXCESS OF PLAN WERE ALSO PRODUCED.

3. SOMEWHAT BETTER RESULTS WERE REPORTED ON CERTAIN PREVIOUSLY DEFICIENT AREAS. TARGETS FOR MAY WERE FULFILLED IN FERROUS METALLURGY (CAST IRON, STEEL, AND ROLLED STEEL) BUT "ARREARS" IN OUTPUT SINCE THE BEGINNING OF THE YEAR HAVE NOT YET BEEN RECOUPED. SIMILAR RESULTS WERE RECORDED IN PLASTICS AND SYNTHETIC RESINS, BUT PRODUCTION OF SULFURIC ACID REMAINS LIMITED OFFICIAL USE

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BELOW EXPECTATION. MAY OUTPUT OF COTTON FABRICS AND LEATHER SHOES MADE "POSITIVE" ADVANCES.

4. THE VARIOUS COMMENTARIES CITED THE CONSTRUCTION MATERIAL INDUSTRY FOR WEAK PERFORMANCE. ALSO NOTED FOR SHORTCOMINGS WERE CERTAIN SECTORS OF POWER, HEAVY AND LIGHT INDUSTRY AND TRANSPORT MACHINE BUILDING, THE ELECTROTECHNICAL INDUSTRY, FREIGHT CAR AND DIESEL LOCOMOTIVE PRODUCTION, AND TIMBER AND WOOD PROCESSING. THE COAL INDUSTRY WAS SINGLED OUT FOR A LOW INCREASE IN LABOR PRODUCTIVITY.

5. A JUNE 14 TRUD COMMENTARY BY V. GARMASH, DEPUTY CHIEF OF AN ADMINISTRATION, CENTRAL STATISTICAL ADMINISTRATION, SUMMED UP THE FIVE-MONTH RESULTS BY SAYING THAT DESPITE THE POSITIVE OVERALL AND SECTOR RESULTS, SOME ENTERPRISES, ASSOCIATIONS AND MINISTRIES HAVE NOT PAID "ADEQUATE ATTENTION" TO PLAN FULFILLMENT IN THE SET NOMENCLATURE. THEY ALLOW "VIOLATIONS" OF PLAN AND PRODUCTION DISCIPLINE, AND DO NOT TAKE ADEQUATE MEASURES TO ELIMINATE IDLE TIME, LOSSES, AND DISRUPTION OF DELIVERY SCHEDULES.

6. COMMENT: MOST NOTEWORTHY IS THE CLAIM THAT OIL PRO-

DUCTION HAD EXCEEDED THE PLAN. ACCORDING TO THE DATA PUBLISHED, OIL PRODUCTION WAS 223 MILLION TONS IN JANUARY-MAY, IN ROUNDED NUMBERS A 5 PERCENT INCREASE OVER THE SAME PERIOD IN 1976. (TECHNICALLY, SINCE JANUARY-MAY, 1976 OIL OUTPUT WAS APPROXIMATELY 213 MILLION TONS, THE ACTUAL INCREASE IN 1977 OVER 1976, ACCORDING TO OUR CALCULATIONS, WAS 4.7 PERCENT.) THIS IS A SLIGHT INCREASE OVER THE FIRST QUARTER 1977 RATE OF 4.5 PERCENT BUT STILL BELOW THE ANNUAL TARGET OF A 5.7 PERCENT INCREASE. WHILE THE TREND THUS APPEARS SLOWLY UPWARD, A GOOD DEAL OF DISTANCE MUST BE MADE UP IF THE 1977 TARGET OF 550 MILLION TONS IS TO BE REACHED.

7. WE HAVE JUST BEEN TOLD BY MINISTRY OF RAILWAY OFFICIALS THAT THE FIVE-MONTH PLAN FOR THE RAILROADS HAS BEEN FULFILLED.
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BELOW PLAN OUTPUT OF FREIGHT CARS AND DIESEL LOCOMOTIVES, HOWEVER, SUGGEST THAT PROBLEMS WITH THE RAILROADS MAY CONTINUE.
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